From: Jose Cardenas <JC@thecormacgroup.com>
Sent: Wednesday, January 4, 2023 4:12 PM
To: Jose Cardenas (jrc@cardenassolutions.com) <jrc@cardenassolutions.com>
Subject: Energy Security & the Western Hemisphere: The role of Guyana

Dear Colleagues,

With sanctions crimping Russian oil exports, respected oil analyst Daniel Yergin believes that crude markets will continue to maintain their volatile streak in 2023.

Yet in every analysis about what the new year is going to bring in terms of price at the pump, the role of Guyana is invariably cited as a key player in helping to stabilize markets and supply (see below).

It's an incredible trajectory in only a few years for the only English-speaking country in South America.

As many say, it's not a question of "either-or" in developing new sources of energy, but "all-of-above."

If anyone wishes to discuss further, please do not hesitate to reach out!

Best Regards,

José R. Cárdenas
c) 202-812-0123

THE WALL STREET JOURNAL.

Exxon, Chevron Focus on Oil Projects in the Americas

Two largest U.S. oil companies retreat from big international projects

By Collin Eaton
Jan. 3, 2023 5:30 am ET

The globe is shrinking for Exxon Mobil Corp. and Chevron Corp. as the two largest U.S. oil companies pull back on big international oil projects and concentrate on a handful of more lucrative assets closer to home.

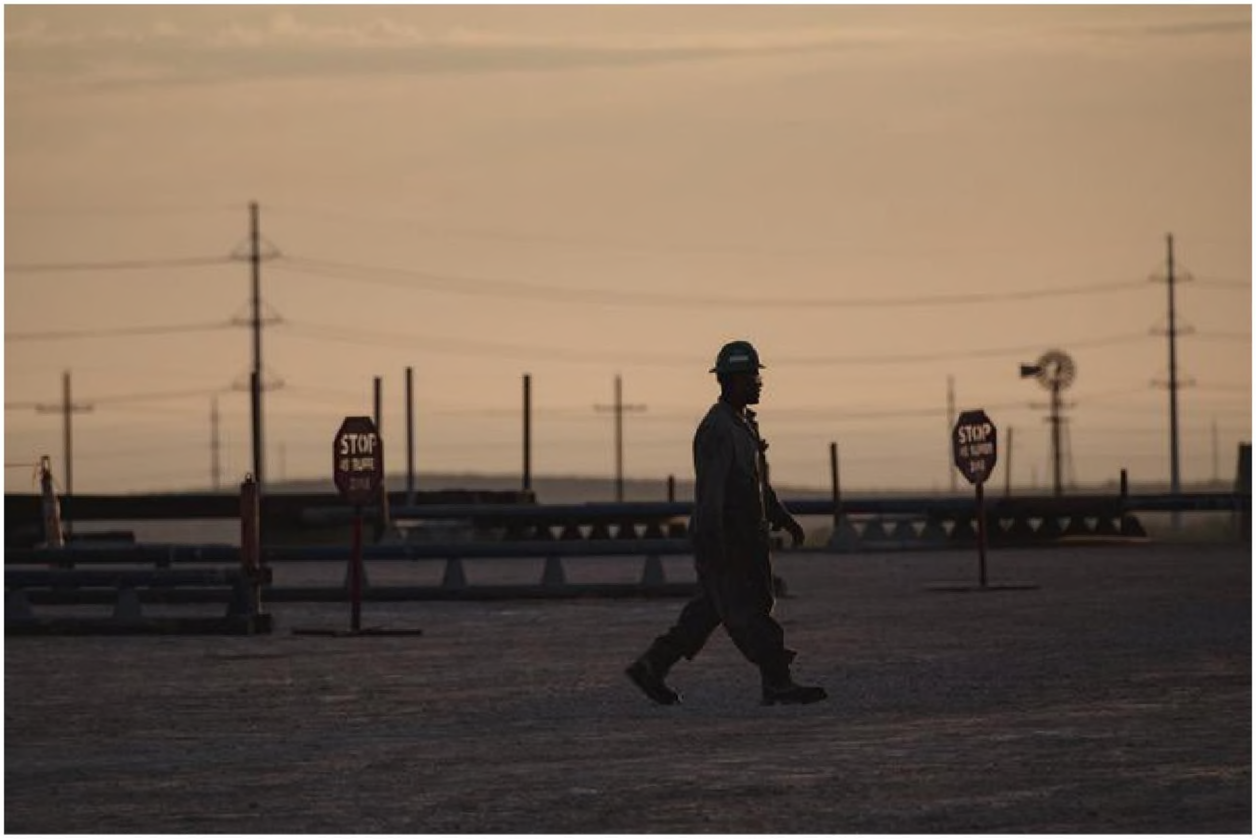
The two fossil-fuel giants plan to spend most of their annual budgets in the Americas this year, with Chevron saying it will pour 70% of the capital allocated for production into oil fields in the U.S., Argentina and Canada, and Exxon saying it will spend a similar portion of its budget in the Permian Basin of New Mexico and West Texas, **Guyana**, Brazil and liquefied natural-gas projects.

Their focus on the Western Hemisphere is expected to continue for years as they give priority to growing shareholder returns and cut costly frontier drilling projects. Their retreat from places such as southeast Asia, West Africa, Russia and parts of Latin America—sometimes by choice, sometimes by fiat—marks an era of retrenchment for companies that had spent decades putting stakes in the ground around the world.

"The cases of them going to new countries are few and far between," said Ben Cahill, a senior fellow at the Center for Strategic and International Studies, a Washington think tank. "It's a natural consequence of investors demanding higher returns. Companies are being more selective."

For much of their modern history, Chevron and Exxon scoured the globe for oil to add to their booked reserves, a key metric upon which investors valued them, often entering into partnerships with state-run companies in the most challenging, costly projects. Mr. Cahill said the advent of U.S. shale eased Western oil companies' concerns about securing oil supplies, and a shareholder revolt against the industry's overspending a few years ago pushed them to shrink their footprints further.

Last year, Irving, Texas-based Exxon sold or proposed to sell assets in Chad, Cameroon, Egypt, Iraq and Nigeria, along with some legacy assets in the U.S. and Canada, making for its largest number of such sales since 2018, according to FactSet. The company had planned since 2018 to sell at least $15 billion worth in assets as it pared down its global footprint and focused on its most valuable assets.



An oil site in the Permian Basin.Photo: Adria Malcolm for The Wall Street Journal

The company’s oil and gas production was down in 2021 by almost 18% compared with its annual peak in 2011, according to S&P Global Market Intelligence. Around that time, Exxon was pursuing scores of projects across the world and made most of its money outside the U.S. The days of managing numerous international projects are running out, said Neal Dingmann, an analyst at Truist Securities.

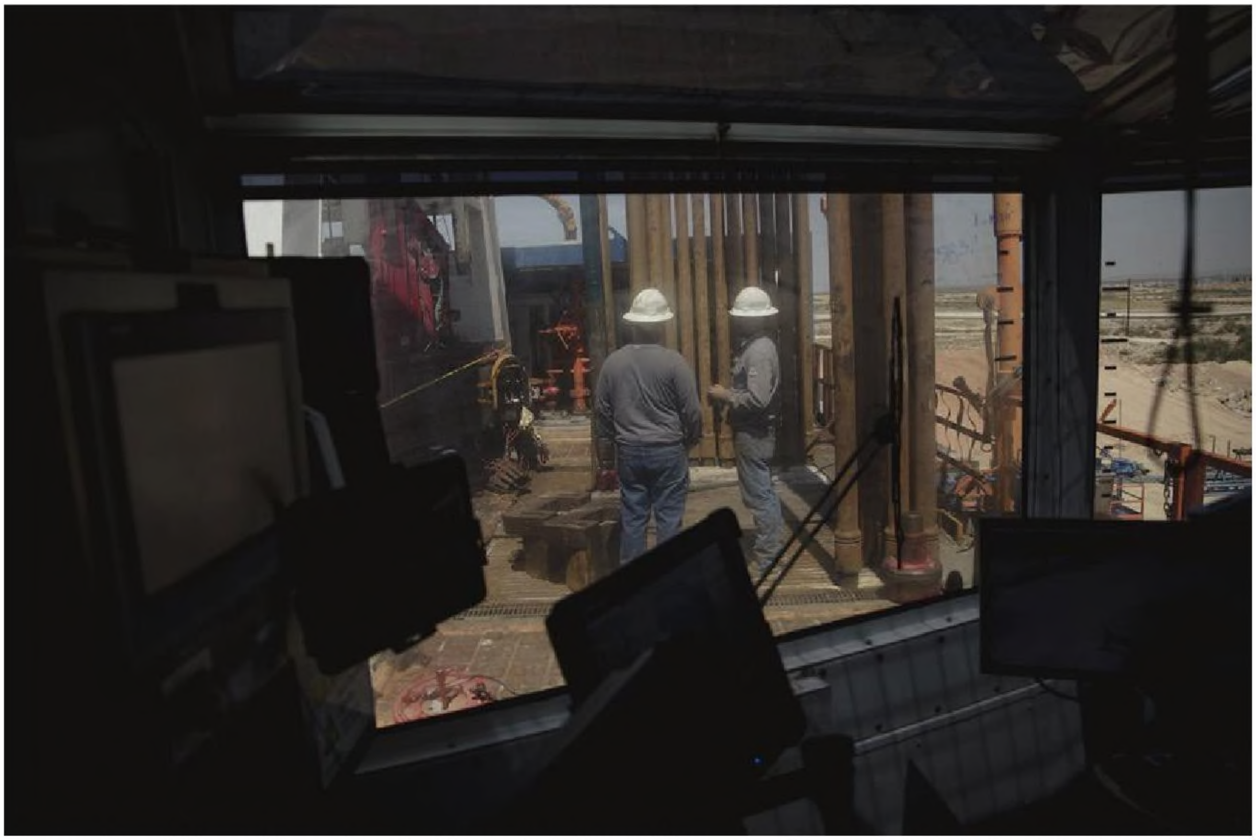
“You have investors leaning on you harder than they have in the past,” Mr. Dingmann said. “It’s going to be critical that they prune their other [noncore] businesses.”
Meanwhile, Chevron’s international output fell 3% last year following the expiration of concessions in Thailand and Indonesia. Last year, it vowed to exit Myanmar, citing human-rights violations. Since 2019, it has unloaded assets in Azerbaijan, Denmark, the United Kingdom and Brazil, among other places.

Chevron has held on to some international assets close to home. The U.S. has granted it a new license to pump oil in Venezuela again, after years of sanctions. So far, it has said it won’t make new investments in the country, only maintain existing assets while it collects debt from its state-run joint venture partner. Chevron would have to contend with myriad technical issues at Venezuela’s aging oil fields and take on political risk to expand there.

In 2021, Exxon’s land holdings with active wells were 18% smaller than they were in 2010; Chevron’s were 40% smaller, FactSet data showed. As they have cut costs, their earnings have jumped, as both hit record quarterly profits last year, and Wall Street analysts estimated they were poised for the year to collect the highest profits since at least 2008, according to FactSet.

Exxon said in December it would spend up to $25 billion each year through 2027, in line with its previously announced plans but below prepandemic levels, and it aims to boost oil and gas production by 500,000 barrels a day over that period. It also plans to trim $9 billion in costs by the end of this year, compared with 2019. Chevron said it would boost spending 25% this year to $14 billion, well below its prepandemic budget.

In December, Chevron Chief Executive Mike Wirth said this strategy would win back investors. Many generalist investors fled the energy sector after years of poor returns caused by overspending. The energy segment of the S&P 500 outperformed the broader index last year, rising about 59% in 2022, compared with the index's 19% drop for the year.



Chevron has said it would spend most of the capital allocated for production on oil fields in the U.S., Argentina and Canada. Photo: Adria Malcolm for The Wall Street Journal

Still, most institutions continue to give oil companies a wide berth, recuperating from the sting of big losses over the past decade, said Kevin Holt, a portfolio manager at investment firm Invesco Ltd., which has about $1.44 trillion in assets under management, according to its most recent regulatory filings.

"They don't think the industry will stick to capital discipline," Mr. Holt said. "It's going to take a little more time," for investors to believe that oil companies have permanently changed their spending habits.

The most significant shift away from a foreign country last year was in Russia. The Kremlin wiped out Exxon's stake there in a major oil-and-gas project it had operated since the 1990s, after Exxon tried to exit from the venture following Russia's invasion of Ukraine.

Establishing a foothold in Russia had been a key part of former Chief Executive Rex Tillerson's strategy. Few opportunities of that scale exist now, at least in the oil industry's traditional oil and gas business, said Tatiana Mitrova, research fellow at Columbia University's Center on Global Energy Policy.

Exxon and Chevron have said they plan to expand into new businesses providing low-carbon technologies to other companies, where they could explore partnerships with countries and state-run companies that typically don't have access to those technologies, Ms. Mitrova said.

"The majors are quite well positioned to develop the new technologies like hydrogen, carbon capture and other new things that will help the industry decarbonize," she said.
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